



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

Accounting Section
89 Jefferson Boulevard
Warwick, Rhode Island 02888
(401) 941-4500
(401) 941-9248 - Fax

**To: Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission**

**From: Alberico Mancini, Rate Analyst
Division of Public Utilities & Carriers**

Date: September, 3 2021

Re: Docket 4978 Narragansett Electric – Last Resort Rate Filing

On July 21, 2021 Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”) filed with the Public Utilities Commission (Commission) proposed Last Resort Service (“LRS”) rates effective October 1, 2021 together with the results of the Company’s most recent LRS procurement.¹ As with prior LRS Rate filings, the Division has prepared this memo in response to the Company’s filing.

The Company submitted a Request for Confidential Treatment covering the detailed bid results. The Company submitted these confidential materials to the Division for review.

Included in the Company’s filing are:

- A calculation of the LRS retail rates for the Residential, Commercial, and Industrial Groups for each month of the service period;
- A RIPUC Tariff No. 2096 Rate Summary, reflecting the proposed rates for the period October 2021 through March 2022.
- A typical bill analysis for LRS for the Residential, Commercial, and Industrial Customer Groups.

¹ Filings entitled: *Proposed Last Resort Service Rates for the Residential Group and the Commercial Group for the Months of October 2021 through March 2022 and for the Industrial Group for the Months of October 2021 through December 2021.* The filing also includes the results of competitive procurement for the Months of October 2021 through March 2023 for the Residential and Commercial Group, and for the Months of October 2021 through December 2021 for the Industrial Group.

- A copy of the Request for Proposals (“RFPs”) issued on June 11, 2021 to solicit LRS supply for the period October 2021 through March 2023 for the Residential and Commercial Group, and October 2021 through December 2021 for the Industrial Group.
- A redacted summary of the procurement process, and;
- Redacted versions of the executed confidential Amendment to the Master Power Agreement and Transaction Confirmations for October 2021 through March 2023 for the Residential and Commercial Group, and October 2021 through December 2021 for the Industrial Group.

Un-redacted versions of the Procurement Summary, an amendment to a Master Power Agreement, and Transaction Confirmations have been supplied under separate cover.

Last Resort Service Procurement Plan Summary

Industrial Group: 100% of the load for **October 2021 through December 2021.**

Commercial Group: Procurements encompassing **October 2021 through March 2023.**

With this most recent solicitation for another 20% of the load requirements for the **October 2021 through March 2022** period, 90% of the load requirements for the Commercial Group for the October 2021 through March 2022 period have now been procured (15% in January 2020, 20% in July 2020, 15% in January 2021, 20% in April 2021 and 20% in July 2021). For the October 2021 through March 2022 period, the Company will purchase the remaining 10% of the load in the spot market as the approved plan specifies.

Also, 20% of the Commercial Group’s load requirements for the **April 2022 through September 2022** period have been procured in the July 2021 solicitation. With this most recent solicitation, 55% of the load requirements have been purchased for the April 2022 through September 2022 period (15% in January 2021, 20% in April 2021 and 20% in July 2021). For the April 2022 through September 2022 period, the Company will procure another 20% in the fourth quarter of 2021 and 15% in the first quarter of 2022. Those procurements will total 90% for the April 2022 through September 2022 period and 10% will be made in the spot market.

Also, 20% of the Commercial Group’s load requirements for the **October 2022 through March 2023** period have been procured in the July 2021 solicitation. With this most recent solicitation, 35% of the load requirements have been purchased for the October 2022 through March 2023 period (15% in January 2021 and 20% in July 2021). For the October 2022 through March 2023 period, the Company will procure another 15% in the first quarter of 2022, 20% in the second quarter of 2022, and 20% in the third quarter of 2022. Those procurements will total 90% for the October 2022 through March 2023 period and 10% will be made in the spot market.

Residential Group: Procurements encompassing **October 2021 through March 2023.**

With this most recent solicitation for another 20% of the load requirements for the **October 2021 through March 2022** period, 90% of the load requirements for the Residential Group for the October 2021 through March 2022 period have now been procured (15% in January 2020, 20%

in July 2020, 15% in January 2021, 20% in April 2021 and 20% in July 2021). For the October 2021 through March 2022 period, the Company will purchase the remaining 10% of the load in the spot market as the approved plan specifies.

Also, 20% of the Residential Group’s load requirements for the **April 2022 through September 2022** period have been procured in the July 2021 solicitation. With this most recent solicitation, 55% of the load requirements have been purchased for the April 2022 through September 2022 period (15% in January 2021, 20% in April 2021 and 20% in July 2021). For the April 2022 through September 2022 period, the Company will procure another 20% in the fourth quarter of 2021 and 15% in the first quarter of 2022. Those procurements will total 90% for the April 2022 through September 2022 period and 10% will be made in the spot market.

Also, 20% of the Residential Group’s load requirements for the **October 2022 through March 2023** period have been procured in the July 2021 solicitation. With this most recent solicitation, 35% of the load requirements have been purchased for the October 2022 through March 2023 period (15% in January 2021 and 20% in July 2021). For the October 2022 through March 2023 period, the Company will procure another 15% in the first quarter of 2022, 20% in the second quarter of 2022, and 20% in the third quarter of 2022. Those procurements will total 90% for the October 2022 through March 2023 period and 10% will be made in the spot market.

Last Resort Service Proposed Rates and Trends

Industrial Group Rates

The LRS rates proposed for the **Industrial Customer Group** for the October 2021 through December 2021 period, including the current per-kWh Last Resort Adjustment Factor of (\$0.00598), the Administrative Cost Factor of \$0.00201, and the Renewable Energy Charge of \$0.00665 are:

- October 2021: \$0.06536 / kWh
- November 2021: \$0.07786 / kWh
- December 2021: \$0.10425 / kWh

The three-month average of the proposed October 2021 through December 2021 Industrial Group LRS rate is \$0.08249, which results in a 52% increase compared with the July 2021 through September 2021 average Industrial Last Resort rate of \$0.05412/kWh. In comparison, the same three-month period average rate is 12% higher than last year’s October through December’s average rate of \$0.07379.

Commercial Rates

The **fixed price option** LRS rate proposed for the **Commercial Customer Group** for the October 2021 through March 2022 period, including the current per-kWh Last Resort Adjustment Factor of \$0.00568, Administrative Cost Factor of \$0.00211, and the Renewable Energy Charge of \$0.00665 is:

- October 2021 – March 2022: \$0.10174 / kWh

The proposed rate represents an increase of \$0.03063/kWh or 43% when compared with the current fixed price option charge of \$0.07111/kWh. Compared to the previous year’s October 2020 through March 2021 Commercial Group LRS fixed rate of \$0.09334/kWh, the proposed rate is 9% higher than the same six-month period in the previous year. Compared to the previous 5-year average fixed rate of \$0.09664/kWh for the 2016 through 2020 October through March periods, the proposed rate of \$0.10174 is 5% higher.

The **variable price option** proposed LRS rates for the **Commercial Customer Group** including the current per-kWh Last Resort Adjustment Factor of \$0.00568, Administrative Cost Factor of \$0.00211, and the Renewable Energy Charge of \$0.00665 are as follows:

- October 2021 \$0.08737 / kWh
- November 2021 \$0.09491 / kWh
- December 2021 \$0.10356 / kWh
- January 2022 \$0.11384 / kWh
- February 2022 \$0.11402 / kWh
- March 2022 \$0.09620 / kWh

Residential Rates

The LRS rate proposed for the **Residential Customer Group** for the October 2021 through March 2022 period, including the current per-kWh Last Resort Adjustment Factor of \$(0.00512), the Administrative Cost Factor of \$0.00238, and the Renewable Energy Charge of \$0.00665 is:

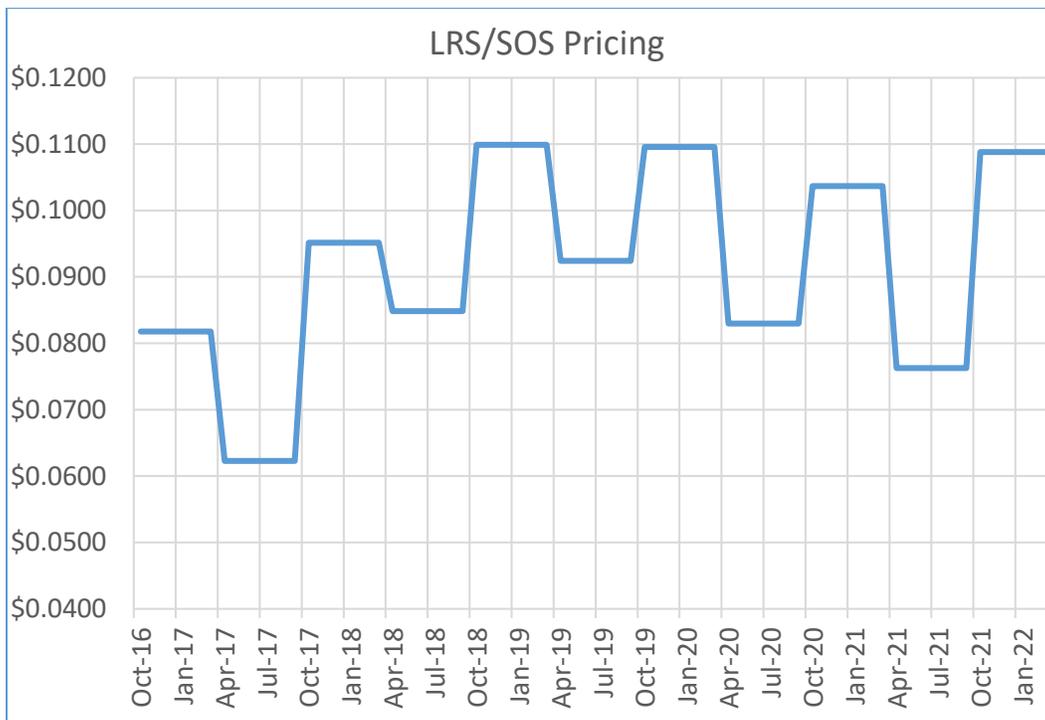
- October 2021 – March 2022: \$0.10882/kWh

The proposed rate represents an increase of \$0.03254/kWh or 43%, compared with the current LRS rate of \$0.07628/kWh. Compared to the previous year’s October 2020 through March 2021 LRS average rate of \$0.10370/kWh, the proposed rate is 5% higher than the same six-month period in the previous year. Compared to the previous 5-year average rate of \$0.10002/kWh for the 2016 through 2020 October through March periods, the proposed rate of \$0.10882/kWh is 9% higher.

Last Resort Service Rate Bill Impact

The trend over the last several years has been higher electric supply prices in the winter verses the summer season. The graph, G-1 on the following page, shows this trend going back to the winter of 2016 – 2017.

G-1



Energy prices included in the Company’s July procurement were higher than the previous four procurements. These higher prices were mitigated by earlier procurements, made in accordance with the Last Resort Procurement Plan, at lower prices and also offset somewhat by recent decreases in capacity costs driven by the Forward Capacity Auction (FCA). The FCA peaked in the ninth capacity period (June 1, 2018 to May 31, 2019), but has since decreased to previous levels.

Based on June 2021 statistics, 91% of residential supply service is provided through LRS, while 51% of commercial supply service and less than 10% of industrial supply service falls under LRS. For the majority of industrial customers and for those customers active in the open market, this proposed increase will have no impact. To mitigate the impact of the proposed increase in LRS, customers that still purchase their energy supply from the Company have the option to enter the marketplace and shop for lower cost power supply. Another alternative for customers is to avail themselves of the Company’s budget billing option which averages bills over a 12-month period.

National Grid has included a detailed typical bill analysis for all classes as part of their LRS rate filing (attachment 3). A brief summary of the A-16 residential rate class is shown in Table 1 on the following page:

Table 1 – Residential A-16 Rate Class

Monthly kWh	Current Bill	Proposed Bill	Total Increase	% Increase
300	\$69.07	\$79.25	\$10.18	14.7%
500	\$108.92	\$125.86	\$16.94	15.6%
1200	\$248.32	\$288.99	\$40.67	16.4%

As presented in Table 1, a typical A-16 residential customer using 500 kWh per month would see a \$16.94 increase or 15.6% overall increase in their monthly bill.

The proposed rates are the result of the Company following the approved procurement plan and obtaining competitive responses to its RFPs. National Grid does not earn a profit on the electricity its customers use and has no incentive to retain last resort customers.

Division Confirmation of Compliance

After review, the Division is of the opinion that the proposed Last Resort rates contained in the filing for Residential, Commercial, and Industrial customers are correctly calculated and comply with the PUC-approved Last Resort Procurement Plan as approved in Docket 4978 at the July 23, 2020 open meeting.

The Division also is of the opinion that the power supply procurements undertaken by National Grid in the Docket reporting period comply with the Last Resort Procurement Plan approved by the Commission.